

# Tax Funds Would Be Squandered

BY ERNANI BERNARDI

The Central City redevelopment project recently approved by the mayor and City Council is a multi-billion dollar tax subsidy to be paid by all taxpayers in the county for the benefit of a few major property owners in the downtown area.

The project area encompasses some 1,500 acres—255 blocks including some eyesores but also a considerable amount of the newest, highest-priced buildings in California.

Almost all the downtown area bounded by the Hollywood, Harbor, and Santa Monica

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freeways and Alameda Street is included in the project.

Under California's tax increment program for financing redevelopment projects, the assessed value of all property in this area has been frozen at its present level.

That doesn't mean the assessed value of downtown property will not increase. It will. What it means is that the taxes from any increased assessments in this entire downtown area for the next 35 years will not go to the city, the county, the schools or any other public agency.

The money will go to the Community Redevelopment Agency to finance the downtown redevelopment plan.

The tax loss to county and municipal agencies and the schools will have to be made up by additional or increased taxes imposed on all property taxpayers in the county.

County Assessor Philip E. Watson estimates that will require a 10% tax increase—\$100 to \$200 a year for the typical homeowner—to subsidize the "rebuilding" of downtown.

Watson has figures to show that from 1965 to 1975 property in the project area increased in assessed valuation by 74.02%—an average of 7.4% a year.

My office, using a 6% inflationary growth factor figured over the 35-year life of the project, and a fixed \$14 tax rate, has arrived at a cost to taxpayers of \$4.6 billion.

The county auditor-controller confirms that figure. And it does not include taxes that will be generated from new construction or any increase in the tax rate.

The tax rate has increased to \$14.22 this year, and the Central City project will guarantee that the tax rate will continue to increase substantially during the life of this plan.

Don't be misled by claims of proponents that this is the only way Skid Row and other blighted areas can be corrected and decent housing provided for low and moderate income people.

In 1957, as a member of the Citizens Urban Renewal Advisory Committee, I voted to recommend to the City Council that Bunker Hill be declared an urban renewal project.

The argument advanced for that project by its proponents, then as now, was that it would get rid of urban blight and provide safe and sanitary housing for the low income families residing in the area.

If the rest of downtown is to be rebuilt as Bunker Hill is being "rebuilt," pious promises notwithstanding, it is inconceivable to me that taxpayers throughout the county should be saddled with it. It means a \$4.6 billion tax burden to build more lavish Union Bank buildings, plush World Trade Centers and high-rent Bunker Hill Towers apartments.

This is why I've filed two lawsuits seeking to invalidate the project. I've been joined in these lawsuits by Assessor Watson, who agrees with me that tax increment financing on this huge scale is simply a gigantic tax rip-off to benefit a few.

In order to qualify for tax dollars to subsidize this project, the entire downtown area was declared a "blighted" area. This includes such structures as Arco Towers, the Broadway Plaza complex and its Hyatt Regency Hotel, United California Bank's new skyscraper and the Times-Mirror building complex—all plush developments located on some of the most valuable land in California.

If this massive area can be declared blighted, every section in the city and county can be so classified.

A proposed redevelopment project on Catalina Island illustrates how ridiculous such blight designations can be. It would declare the entire City of Avalon and three miles out to sea as a blighted area.

The City of Burbank has declared the KNBC complex, St. Joseph's Hospital and the Burbank motion picture studios as blighted.

It is this kind of misuse of the "blight" designation, in order to take advantage of tax increment financing, that has resulted in the proliferation of redevelopment projects throughout the county. It must be stopped.

There are presently 108 projects in the county. In 1974-75, 46 of these projects siphoned off \$31.6 million in tax money that had to be made up by other taxpayers.

Thirty-nine of these has taken \$72 million in tax money from 1969-70 through 1974-75.

Tax increment financing is really a subterfuge to divert public money for the benefit of private developers, and this is what the downtown redevelopment project is all about.

As noted in a recent article in Coast Magazine, 22 representatives of the biggest corporations in downtown Los Angeles met in 1969 to try to solve the problem of a declining downtown Los Angeles. They formed the Committee for Central City Planning (CCCP). The redevelopment plan is the direct result of their effort.

An article in Forbes Magazine in 1973 discussed this downtown redevelopment plan for Los Angeles, who would benefit, and how these 22 top executives planned to divert around \$3 billion in tax revenues to subsidize enough construction to double downtown office space and retail sales by 1990.

The article quotes Bill Bird, former chairman of the CCCP, as saying, "Downtown isn't really blighted. Declaring it blighted is just a tool. Think of it as a crowbar to pry open the tax coffers."

Forbes Magazine also stated, "Here is where the taxpayer comes in: the businessmen have elected him (the taxpayer) to bankroll their dreams."

That's exactly what tax increment financing means—in this case a \$4.6 billion bankroll for private gain.

If you consider the automatic tax override the Los Angeles Board of Education gets to make up for tax increment losses, another \$2.3 billion is added for a whopping total tax cost of \$6.9 billion in 35 years.

I'm opposed to it.

Furthermore, a redevelopment project poses the threat of condemnation. This has placed the lifetime investment of many small downtown property owners in jeopardy. They oppose it.

Property owners, county-wide, will be taxed to subsidize a gigantic downtown "image" ego trip for a few transient corporate executives. They oppose it.

The response to my opposition to this multi-billion dollar land grab, from chambers of commerce, homeowner organizations and individuals, has been overwhelmingly supportive, and it has been county-wide.

To those who feel as I do about this downtown redevelopment plan: Let your councilman know. Ask him to vote to rescind the project, or at least to allow the voters to decide the issue.